

MAR 1952 01-46

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 SECURITY INFORMATION
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REPORT

CD NO.

STAT

COUNTRY China

DATE OF
INFORMATION 1952

SUBJECT Economic - Money, banking

DATE DIST. 27 Jul 1953

HOW
PUBLISHED Yearbook

NO. OF PAGES 3

WHERE
PUBLISHED Hong KongDATE
PUBLISHED 5 Feb 1953SUPPLEMENT TO
REPORT NO.

LANGUAGE Chinese

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SOURCE 1953 Ching-chi Nien-pao (1953 Economic Yearbook).

INFORMATION ON MONEY AND BANKING IN CHINA, 1952

[Comment: This report summarizes an article entitled "The Development and Accomplishments of Money and Banking in New China for the Past Year," by Hsu Kuang published in the pro-Communist 1953 Ching-chi Nien-pao (1953 Economic Yearbook), 5 February 1953. The report gives details, figures, and statistics on currency control, bank loans, interest rates, and rural credit organizations in China.]

A. Currency Control

After the Government Administration Council promulgated currency control in 1950, the state banks launched an over-all drive to get new accounts and to control receipts and expenditures. State banks achieved order in the financial system, centralized loans, and supervised investment in basic construction. All transactions between state-operated enterprises and private industries had to go through state banks, which became the center of currency exchange. At present, most of the state-operated enterprises deal with state banks for loans. From 1950 to September 1952, there was a great increase in deposits in state banks. This is illustrated by the following statement from Hsueh-hsi, No 7, 1952, page 5:

"The state banks developed extensively during the past 3 years. They now have control of 90 percent of total deposits and loans in China, and 98 to 99 percent if public and private joint-operated banks are included."

In October 1952, the People's Bank of China held a conference to discuss currency control. A decision was made to improve the 1953 regulations for loan and settlement.

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The new loan regulations incorporated the following provisions:

1. The state banks are to increase loans to industrial enterprises and marketing cooperatives, to assist state-operated enterprises, to carry out the auditing system, and to increase the rate of capital turnover.
2. Five types of loans are to be made in banks according to the needs of industrial enterprises. These loans include fixed loans, seasonal loans, settlement loans (loans granted during settlement process), large-scale alteration loans, and short-term loans.
3. Detailed calculations are to be made to determine the amount and term of loans according to needs.
4. Loan methods and procedures are to be simplified. Besides using materials of large alterations as guarantee for alteration loans, fixed or current assets are used as collateral for the other types of loans.

The new loan settlement regulations aid in stabilizing the auditing system. There are eight types of settlement: check settlement, certified check settlement, collection settlement, term settlement, acceptance settlement, telegraph and mail remittance settlement, special account settlement, and credit certificate settlement.

B. State Bank Loans

The increase in state bank loans is indicated by the following quotation from the Chung-Kuo Chin-yung, No 10, 1952, page 1:

"Since the beginning of May 1952 when the number of loans were increased, total state bank loans reached 3 trillion yuan in August 1952. Over 80 billion yuan were loaned to 9,000 business enterprises in Peiping, and over 200 billion yuan were loaned to 12,000 business enterprises in Tientsin. Over 700 billion yuan were loaned to business enterprises in Shanghai; over 100 billion yuan in Wuhan; and over 100 billion yuan in Chungking."

Because the government took steps to promote economy by increasing work, ordering more goods, and by granting loans, the business enterprises were quickly reconstructed and developed. In August 1952, industrial production in the Shanghai area reached the production level of December 1951. By the end of August 1952, loans granted by Shanghai banks totaled 7,500; the gold backing was 118 percent greater than in December 1951, and 165 percent greater than in March 1952. Loans to light and heavy industries were 10 percent greater than in December 1951.

In 1952, loans granted to merchants at commodities exchange conferences were greater than in 1951. For example, 38 percent of total loans in Shantung were granted to merchants at commodities exchange conferences; 35 percent, in Wuhan; 21 percent, in Shanghai; 17 percent, in Fukien; and 13 percent, in Anhwei. State bank loans to assist trade amount to 60 percent of the total state bank loans.

C. Lowering Interest Rates

On 25 June 1952, the state bank announced the new interest rates which are 20 to 50 percent lower than the old interest rates. The new interest-rate schedule is as follows:

1. The monthly interest rate is from 1.05 percent to 1.65 percent on loans to private industry.

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2. The monthly interest rate is from 1.35 percent to 1.95 percent on loans to private business enterprises.

3. The monthly interest rate is from 0.6 percent to 1.2 percent on loans to publicly operated enterprises.

4. The interest rate on savings accounts was increased.

5. The monthly interest rate is from 1 percent to 1.5 percent on farm loans.

6. The monthly interest rate is from 0.7 percent to .75 percent on water conservation loans.

7. The cooperatives, in contrast to publicly owned enterprises, are given a 10-percent advantage on the interest rate on loans to assist in the development of the cooperative economy.

D. Rural Credit Organizations

Three types of rural credit organizations are as follows:

1. Credit Mutual Aid Teams -- Small-scale cooperatives which deal with currency and exchange within the mutual aid teams.

2. Credit Union of Supply and Marketing Cooperatives -- Credit unions formed by the members in the cooperatives. The cooperatives furnished part of the credit union's capital, and the state bank supervises and aids the credit union in financial management.

3. Credit Cooperatives -- Large-scale cooperatives which promote mutual aid production, handicraft industries, and local products industries.

Under the leadership of state banks, there has been much development of rural credit organizations in 1952. In November 1952, there were 8,124 rural credit organizations in China. Comparing the figures of May 1951 with November 1952, the number of credit mutual aid teams increased from 69 to 5,239; credit unions of supply and marketing cooperatives, from 610 to 1,121; and credit cooperatives, from 97 to 1,764.

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